

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 741 - HB 972

February 22, 2023

SUMMARY OF BILL: Exempts from state and local sales tax, during the annual sales tax holiday weekend, the sale of feminine hygiene products.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact – \$172,200/FY23-24 and Subsequent Years

Increase State Expenditures – \$67,000/FY23-24 and Subsequent Years

Decrease Local Revenue – Net Impact – \$3,300/FY23-24 and Subsequent Years

Assumptions:

- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- According to the U.S. Census Bureau, Population Division (Annual Estimates of the Resident Population for Selected Age Groups by Sex for the United States, July 2021), there are 74,986,186 women in the United States between the age of 15 and 49.
- According to 2021 Census data, Tennessee represents approximately 2.1 percent (6,968,351 / 332,031,554) of the U.S. population; therefore, the number of women in the state of Tennessee between the ages of 15 and 49 is estimated to be 1,574,710 (74,986,186 x 2.1%) as of July 2021.
- Assuming the average woman in Tennessee spends approximately \$180 each year on feminine hygiene products, total annual sales of such products are estimated to be \$283,447,800 (1,574,710 x \$180).
- Feminine hygiene products sales are estimated to increase by 15 percent during the three-day sales tax holiday as a result of customers shifting their purchases to the holiday that would otherwise occur outside of that time-frame. Therefore, total sales of such products during the holiday are estimated to be \$2,679,164 [$\$283,447,800 \times (3\text{-day holiday weekend} / 365 \text{ days a year}) \times 1.15 \text{ increase in sales during the weekend}$].
- Pursuant to Tenn. Code Ann. § 67-6-710(g), local governments will be reimbursed for the local sales and use tax collections that they otherwise would have collected from products sold over the sales and use tax holiday.
- The recurring decrease in state sales tax revenue, beginning in FY23-24, is estimated to be \$180,758 [$(\$2,679,164 \times 7.0\%) - (\$2,679,164 \times 7.0\% \times 3.617\%)$].

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- The decrease in local revenue from state sales tax apportionment is estimated to be \$6,783 ($\$2,679,164 \times 7.0\% \times 3.617\%$).
- The recurring increase in state expenditures for reimbursement of local governments, beginning in FY23-24, is estimated to be \$66,979 ($\$2,679,164 \times 2.5\%$).
- Fifty percent of tax savings, or \$127,260 $\{[(\$2,679,164 \times 7.0\%) + \$66,979] \times 50\% \}$, will be spent in the economy on other sales-taxable goods and services.
- The increase in state sales tax collections, beginning in FY23-24, is estimated to be \$8,586 $[(\$127,260 \times 7\%) - (\$127,260 \times 7\% \times 3.617\%)]$.
- The total increase in local revenue, beginning in FY23-24, is estimated to be \$3,504 $[(\$127,260 \times 2.5\%) + (\$127,260 \times 7\% \times 3.617\%)]$.
- The net decrease in state revenue, beginning in FY23-24, as a result of this bill is estimated to be \$172,172 ($\$180,758 - \$8,586$).
- The net decrease in local revenue, beginning in FY23-24 as a result of this bill is estimated to be \$3,279 ($\$6,783 - \$3,504$).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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